

## Hingham Institution for Savings Reports 11% Increase in Quarterly Earnings

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HINGHAM, Mass.--(BUSINESS WIRE)--Hingham Institution for Savings (NASDAQ – HIFS), Hingham, Massachusetts announced third quarter earnings for 2011. Net income for the quarter ended September 30, 2011 was \$3,108,000 or \$1.46 per share (basic and diluted) as compared to \$2,794,000 or \$1.32 per share (basic and diluted) for the same period last year. The Bank's return on average equity for the third quarter of 2011 was 15.52%, and the return on average assets was 1.17%. Net income for the nine months ended September 30, 2011 was \$8,955,000 or \$4.22 per share basic and \$4.21 per share diluted as compared to \$7,530,000 or \$3.54 per share (basic and diluted) for the same period last year. The Bank's annualized return on average equity for the first nine months of 2011 was 15.40% and the return on average assets was 1.14%.

Deposits increased by \$31 million from December 31, 2010 and \$55 million from September 30, 2010, representing a 6% annualized growth year to date and 8% from September 30, 2010. Net loans increased by \$44 million from December 31, 2010 and \$62 million from September 30, 2010 representing 7% annualized growth year to date and 8% growth from the third quarter 2010. Total assets increased by \$68 million from December 31, 2010 and \$94 million from September 30, 2010, representing a 9% annualized growth year to date and 10% from the third quarter 2010. Stockholders' equity increased \$8 million as of September 30, 2011, representing a 14% annualized growth year to date and a 13% increase from September 30, 2010. Book value per share increased to \$37.77 per share at September 30, 2011 from \$34.24 per share at December 31, 2010 and \$33.54 per share at September 30, 2010.

At September 30, 2011 non-performing assets totaled 1.12% of total assets, an increase from the 0.91% at December 31, 2010 and the 0.92% at September 30, 2010. For the quarter ended September 30, 2011, a provision of \$275,000 was made to the allowance for loan losses compared to \$300,000 for the same period in 2010. Foreclosure related expenses totaled \$256,000 for the quarter ended September 30, 2011 compared to \$193,000 for the quarter ended September 30, 2010.

President Robert H. Gaughen, Jr. stated, "We are pleased to report that our current quarterly earnings represent an 11% increase over the third quarter 2010 and a 19% increase over those of the first nine months of 2010. Continued improvements in our net interest margin, effective cost control and prudent lending standards continue to produce real bottom line improvements. We remain focused on increasing shareholder value through quality growth and rigorous cost control."

Hingham Institution for Savings is a Massachusetts-chartered savings bank located in Hingham, Massachusetts. Incorporated in 1834, it is the oldest financial institution headquartered in Hingham and one of the oldest in the Commonwealth. The Bank's main office is located on Main Street, Hingham, Massachusetts. The Bank also maintains branch offices in South Hingham and the neighboring towns of Cohasset, Hull, Scituate, Weymouth and Norwell as well as the South End of Boston. In October the Bank opened its 10<sup>th</sup> branch in the Beacon Hill/Back Bay area of Boston.

The Bank's shares of common stock are listed and traded on The NASDAQ Stock Market under the symbol HIFS.

**HINGHAM INSTITUTION FOR SAVINGS**

**Consolidated Balance Sheets**

|   | <b>September<br/>30,<br/>2011</b> | <b>December<br/>31,<br/>2010</b> | <b>September 30,<br/>2010</b> |
|---|-----------------------------------|----------------------------------|-------------------------------|
| <i>(Dollars in thousands except per share data)</i>   |                                   |                                  |                               |
| <i>(Unaudited)</i>  |                                   |                                  |                               |
| <b>ASSETS</b>   |                                   |                                  |                               |
| Cash and due from banks   | \$ 6,674                          | \$ 6,298                         | \$ 5,651                      |
| Short-term investments  | 98,908                            | 61,566                           | 54,215                        |
| Cash and cash equivalents   | 105,582                           | 67,864                           | 59,866                        |
| Certificates of deposit   | 14,325                            | 13,929                           | 14,064                        |
| Securities available for sale, at fair value  | 78,370                            | 95,071                           | 94,606                        |
| Federal Home Loan Bank stock, at cost   | 13,373                            | 13,373                           | 13,373                        |
| Loans, net of allowance for loan losses of \$7,414 at<br>September 30, 2011,<br>\$6,905 at December 31, 2010 and \$6,645 at September<br>30, 2010 | 836,762                           | 792,910                          | 775,013                       |
| Foreclosed assets   | 3,401                             | 3,559                            | 4,860                         |
| Bank-owned life insurance   | 14,416                            | 14,074                           | 13,957                        |
| Premises and equipment, net   | 10,470                            | 7,985                            | 6,520                         |
| Accrued interest receivable   | 2,977                             | 2,992                            | 3,203                         |
| Prepaid FDIC assessment   | 1,985                             | 2,474                            | 2,683                         |
| Deferred income tax asset, net  | 2,764                             | 2,803                            | 2,038                         |
| Other assets  | 1,256                             | 811                              | 1,137                         |
| Total assets  | \$1,085,681                       | \$1,017,845                      | \$ 991,320                    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                   |                                  |                               |
| Deposits  | \$ 761,030                        | \$ 729,960                       | \$ 705,786                    |
| Federal Home Loan Bank advances   | 237,499                           | 207,580                          | 208,106                       |
| Mortgage payable  | 1,117                             | 1,147                            | 1,156                         |
| Mortgagors' escrow accounts   | 2,484                             | 2,344                            | 2,208                         |
| Accrued interest payable  | 483                               | 591                              | 631                           |
| Other liabilities   | 2,779                             | 3,487                            | 2,177                         |
| Total liabilities   | 1,005,392                         | 945,109                          | 920,064                       |

Stockholders' equity:

|  |                    |                    |                   |
|--|--------------------|--------------------|-------------------|
| Preferred stock, \$1.00 par value, 2,500,000 shares<br>authorized, none issued   | —                  | —                  | —                 |
| Common stock, \$1.00 par value, 5,000,000 shares<br>authorized;<br>2,125,750 shares issued and outstanding at<br>September 30, 2011<br>and 2,124,250 shares issued and outstanding at<br>December 31, 2010<br>and September 30, 2010 | 2,126              | 2,124              | 2,124             |
| Additional paid-in capital   | 10,500             | 10,417             | 10,417            |
| Undivided profits  | 67,382             | 59,999             | 58,342            |
| Accumulated other comprehensive income   | 281                | 196                | 373               |
| Total stockholders' equity   | <u>80,289</u>      | <u>72,736</u>      | <u>71,256</u>     |
| Total liabilities and stockholders' equity   | <u>\$1,085,681</u> | <u>\$1,017,845</u> | <u>\$ 991,320</u> |

# HINGHAM INSTITUTION FOR SAVINGS

## Consolidated Statements of Income

|  | Three Months Ended                       |                 | Nine Months Ended |                 |
|--|--|-----------------|-------------------|-----------------|
|  | September 30,                            |                 | September 30,     |                 |
|  | 2011                                     | 2010            | 2011              | 2010            |
| (Unaudited)  | (In thousands, except per share amounts) |                 |                   |                 |
| Interest and dividend income:                        |  |                 |                   |                 |
| Loans  | \$ 11,937                                | \$ 11,461       | \$35,248          | \$ 33,295       |
| Debt securities                                      | 149                                      | 305             | 603               | 1,154           |
| Equity securities                                    | 32                                       | 26              | 101               | 81              |
| Short-term investments and certificates of deposit   | 83                                       | 106             | 261               | 330             |
| Total interest and dividend income                   | <u>12,201</u>                            | <u>11,898</u>   | <u>36,213</u>     | <u>34,860</u>   |
| Interest expense:                                    |  |                 |                   |                 |
| Deposits   | 1,682                                    | 1,997           | 5,204             | 6,218           |
| Federal Home Loan Bank advances                      | 1,472                                    | 1,709           | 4,451             | 5,260           |
| Mortgage payable                                     | 17                                       | 18              | 51                | 53              |
| Total interest expense                               | <u>3,171</u>                             | <u>3,724</u>    | <u>9,706</u>      | <u>11,531</u>   |
| Net interest income                                  | <u>9,030</u>                             | <u>8,174</u>    | <u>26,507</u>     | <u>23,329</u>   |
| Provision for loan losses                            | 275                                      | 300             | 875               | 1,000           |
| Net interest income, after provision for loan losses | <u>8,755</u>                             | <u>7,874</u>    | <u>25,632</u>     | <u>22,329</u>   |
| Other income:  |  |                 |                   |                 |
| Customer service fees on deposits                    | 246                                      | 232             | 728               | 636             |
| Increase in bank-owned life insurance                | 112                                      | 114             | 342               | 342             |
| Miscellaneous  | 64                                       | 61              | 184               | 186             |
| Total other income                                   | <u>422</u>                               | <u>407</u>      | <u>1,254</u>      | <u>1,164</u>    |
| Operating expenses:                                  |  |                 |                   |                 |
| Salaries and employee benefits                       | 2,276                                    | 2,098           | 6,631             | 6,239           |
| Data processing                                      | 221                                      | 202             | 659               | 627             |
| Occupancy and equipment                              | 411                                      | 296             | 1,115             | 956             |
| Deposit insurance                                    | (40)                                     | 262             | 542               | 817             |
| Foreclosure  | 256                                      | 193             | 609               | 480             |
| Marketing  | 226                                      | 113             | 479               | 359             |
| Other general and administrative                     | 586                                      | 529             | 1,771             | 1,654           |
| Total operating expenses                             | <u>3,936</u>                             | <u>3,693</u>    | <u>11,806</u>     | <u>11,132</u>   |
| Income before income taxes                           | <u>5,241</u>                             | <u>4,588</u>    | <u>15,080</u>     | <u>12,361</u>   |
| Income tax provision                                 | 2,133                                    | 1,794           | 6,125             | 4,831           |
| Net income   | <u>\$ 3,108</u>                          | <u>\$ 2,794</u> | <u>\$ 8,955</u>   | <u>\$ 7,530</u> |

Weighted average common shares outstanding:

|         |              |              |              |              |
|---------|--------------|--------------|--------------|--------------|
| Basic   | <u>2,125</u> | <u>2,124</u> | <u>2,124</u> | <u>2,124</u> |
| Diluted | <u>2,126</u> | <u>2,125</u> | <u>2,126</u> | <u>2,125</u> |

Earnings per common share:

|         |                |                |                |                |
|---------|----------------|----------------|----------------|----------------|
| Basic   | <u>\$ 1.46</u> | <u>\$ 1.32</u> | <u>\$ 4.22</u> | <u>\$ 3.54</u> |
| Diluted | <u>\$ 1.46</u> | <u>\$ 1.32</u> | <u>\$ 4.21</u> | <u>\$ 3.54</u> |

**HINGHAM INSTITUTION FOR SAVINGS**

**Net Interest Income Analysis**

**Three Months Ended September 30,**

|  | 2011               |                 |                | 2010               |                 |                |
|--|--------------------|-----------------|----------------|--------------------|-----------------|----------------|
|  | AVERAGE<br>BALANCE | INTEREST        | YIELD/<br>RATE | AVERAGE<br>BALANCE | INTEREST        | YIELD/<br>RATE |
| <i>(Dollars in thousands)</i>                      |                    |                 |                |                    |                 |                |
| <i>(Unaudited)</i>                                 |                    |                 |                |                    |                 |                |
| Loans (1) (2)                                      | \$ 837,930         | \$ 11,937       | 5.70%          | \$ 764,759         | \$ 11,461       | 5.99%          |
| Securities (3) (4)                                 | 96,576             | 181             | 0.75           | 103,424            | 331             | 1.28           |
| Short-term investments and certificates of deposit | 89,618             | 83              | 0.37           | 75,970             | 106             | 0.56           |
| Total earning assets                               | 1,024,124          | 12,201          | 4.77           | 944,153            | 11,898          | 5.04           |
| Other assets                                       | 35,639             |                 |                | 36,079             |                 |                |
| Total assets                                       | <u>\$1,059,763</u> |                 |                | <u>\$ 980,232</u>  |                 |                |
| Interest-bearing deposits (5)                      | \$ 700,601         | 1,682           | 0.96           | \$ 643,618         | 1,997           | 1.24           |
| Borrowed funds                                     | 216,010            | 1,489           | 2.76           | 211,098            | 1,727           | 3.27           |
| Total interest-bearing liabilities                 | 916,611            | 3,171           | 1.38           | 854,716            | 3,724           | 1.74           |
| Demand deposits                                    | 60,512             |                 |                | 52,183             |                 |                |
| Other liabilities                                  | 2,558              |                 |                | 2,706              |                 |                |
| Total liabilities                                  | 979,681            |                 |                | 909,605            |                 |                |
| Stockholders' equity                               | 80,082             |                 |                | 70,627             |                 |                |
| Total liabilities and stockholders' equity         | <u>\$1,059,763</u> |                 |                | <u>\$ 980,232</u>  |                 |                |
| Net interest income                                |                    | <u>\$ 9,030</u> |                |                    | <u>\$ 8,174</u> |                |

|   |                |                |
|---|----------------|----------------|
| Weighted average spread   | <u>3.39%</u>   | <u>3.30%</u>   |
| Net interest margin (6)   | <u>3.53%</u>   | <u>3.46%</u>   |
| Average interest-earning assets to average interest-bearing liabilities (7) | <u>111.73%</u> | <u>110.46%</u> |

(1) Before allowance for loan losses.

(2) Includes non-accrual loans.

(3) Excludes the impact of the average net unrealized gain or loss on securities available for sale.

(4) Includes Federal Home Loan Bank stock.

(5) Includes mortgagors' escrow accounts.

(6) Net interest income divided by average total earning assets.

(7) Total earning assets divided by total interest-bearing liabilities.

**HINGHAM INSTITUTION FOR SAVINGS**

**Net Interest Income Analysis**

Nine Months Ended September 30,

|   | 2011                       |                  |                        | 2010                       |                  |                        |
|---|----------------------------|------------------|------------------------|----------------------------|------------------|------------------------|
|   | <u>AVERAGE<br/>BALANCE</u> | <u>INTEREST</u>  | <u>YIELD/<br/>RATE</u> | <u>AVERAGE<br/>BALANCE</u> | <u>INTEREST</u>  | <u>YIELD/<br/>RATE</u> |
| <i>(Dollars in<br/>thousands)<br/>(Unaudited)</i>           |                            |                  |                        |                            |                  |                        |
| Loans (1) (2)   | \$ 821,341                 | \$ 35,248        | 5.72%                  | \$ 764,759                 | \$ 33,295        | 5.95%                  |
| Securities (3) (4)  | 102,998                    | 704              | 0.91                   | 103,424                    | 1,235            | 1.58                   |
| Short-term<br>investments and<br>certificates of<br>deposit | 85,034                     | 261              | 0.41                   | 75,970                     | 330              | 0.54                   |
| Total earning<br>assets                                     | 1,009,373                  | 36,213           | 4.78                   | 944,153                    | 34,860           | 4.99                   |
| Other assets  | 34,924                     |                  |                        | 36,079                     |                  |                        |
| Total assets  | <u>\$1,044,297</u>         |                  |                        | <u>\$ 980,232</u>          |                  |                        |
| Interest-bearing<br>deposits (5)                            | \$ 696,196                 | 5,204            | 1.00                   | \$ 643,618                 | 6,218            | 1.32                   |
| Borrowed funds  | 210,403                    | 4,502            | 2.85                   | 211,098                    | 5,313            | 3.29                   |
| Total interest-<br>bearing<br>liabilities                   | 906,599                    | 9,706            | 1.43                   | 854,716                    | 11,532           | 1.82                   |
| Demand deposits   | 57,288                     |                  |                        | 52,183                     |                  |                        |
| Other liabilities   | 2,950                      |                  |                        | 2,706                      |                  |                        |
| Total liabilities   | 966,777                    |                  |                        | 909,605                    |                  |                        |
| Stockholders'<br>equity                                     | 77,520                     |                  |                        | 70,627                     |                  |                        |
| Total liabilities<br>and<br>stockholders'<br>equity         | <u>\$1,044,297</u>         |                  |                        | <u>\$ 980,232</u>          |                  |                        |
| Net interest<br>income                                      |                            | <u>\$ 26,507</u> |                        |                            | <u>\$ 23,329</u> |                        |



|   |                |                |
|---|----------------|----------------|
| Weighted average spread   | <u>3.35%</u>   | <u>3.17%</u>   |
| Net interest margin (6)   | <u>3.50%</u>   | <u>3.34%</u>   |
| Average interest-earning assets to average interest-bearing liabilities (7) | <u>111.34%</u> | <u>110.36%</u> |

- (1) Before allowance for loan losses.  
(2) Includes non-accrual loans.  
(3) Excludes the impact of the average net unrealized gain or loss on securities available for sale.  
(4) Includes Federal Home Loan Bank stock.  
(5) Includes mortgagors' escrow accounts.  
(6) Net interest income divided by average total earning assets.  
(7) Total earning assets divided by total interest-bearing liabilities.

**HINGHAM INSTITUTION FOR SAVINGS**  
**Selected Financial Ratios**

|   | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |             |
|---|---------------------------|-------------|--------------------------|-------------|
|   | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|   | <u>2011</u>               | <u>2010</u> | <u>2011</u>              | <u>2010</u> |
| <i>(Unaudited)</i>  |                           |             |                          |             |
| <b>Key Performance Ratios</b>   |                           |             |                          |             |
| Return on average assets (1)  | 1.17 %                    | 1.14 %      | 1.14%                    | 1.04%       |
| Return on average equity (1)  | 15.52                     | 15.82       | 15.40                    | 14.61       |
| Interest rate spread (1) (2)  | 3.39                      | 3.30        | 3.35                     | 3.17        |
| Net interest margin (1) (3)   | 3.53                      | 3.46        | 3.50                     | 3.34        |
| Non-interest expense to average assets (1)                              | 1.49                      | 1.51        | 1.51                     | 1.54        |
| Efficiency ratio (4)  | 41.64                     | 43.04       | 42.53                    | 45.45       |
| Average equity to average assets  | 7.56                      | 7.21        | 7.42                     | 7.12        |
| Average interest-bearing assets to average interest bearing liabilities | 111.73                    | 110.46      | 111.34                   | 110.36      |

|  | <b>September 30,<br/>2011</b> | <b>December 31,<br/>2010</b> | <b>September 30,<br/>2010</b> |
|--|-------------------------------|------------------------------|-------------------------------|
| <i>(Unaudited)</i>                             |                               |                              |                               |
| <b>Asset Quality Ratios</b>                    |                               |                              |                               |
| Allowance for loan losses/total loans          | 0.88 %                        | 0.86%                        | 0.85 %                        |
| Allowance for loan losses/non-performing loans | 84.94                         | 120.25                       | 155.62                        |
| Non-performing loans/total loans               | 1.04                          | 0.72                         | 0.55                          |
| Non-performing loans/total assets              | 0.80                          | 0.56                         | 0.43                          |
| Non-performing assets/total assets             | 1.12                          | 0.91                         | 0.92                          |
| <b>Share Related</b>                           |                               |                              |                               |
| Book value per share                           | \$ 37.77                      | \$ 34.24                     | \$ 33.54                      |
| Market value per share                         | \$ 47.68                      | \$ 44.50                     | \$ 37.62                      |
| Shares outstanding at end of period            | 2,125,750                     | 2,124,250                    | 2,124,250                     |

(1) Annualized

(2) Interest rate spread represents the difference between the yield on earning assets and cost of interest-bearing liabilities.

(3) Net interest margin represents net interest income divided by average earning assets.

(4) The efficiency ratio represents non-interest expense, divided by the sum of net interest income and non-interest income.

## Contacts

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